

AN ACT relating to insurance consumer protections.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 304, SUBTITLE 13 IS
CREATED TO READ AS FOLLOWS:

An insurer that uses credit information shall, on written request from an applicant or an insured, provide reasonable exceptions to the insurer's rates, rating classifications, company or tier placement, or underwriting rules or guidelines for a consumer who has experienced and whose credit information has been and continues to be directly influenced by any of the following events:

(1) Catastrophic event, as declared by the federal or state government;

(2) Serious illness or injury, or serious illness or injury to an immediate family member;

(3) Death of a spouse, child, or parent;

(4) Divorce or involuntary interruption of legally-owed alimony or support payments;

(5) Identity theft;

(6) Temporary loss of employment for a period of three (3) months or more, if it results from involuntary termination;

(7) Military deployment overseas; or

(8) Other events, as determined by the insurer.

Section 2. KRS 304.16-030 is amended to read as follows:

The lives of a group of individuals may be insured under a policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

(1) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one (1) or more subsidiary corporations, and the employees, individual proprietors, and partners of one (1) or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials.

(2) The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him,~~[-or]~~ partly from such funds and partly from funds contributed by the insured employees, **or entirely from funds contributed by the insured employees.** Except as provided in subsection (3) of this section, a policy on which no part of the premium is to be derived from funds contributed by the insured

employees shall insure all eligible employees, except those who reject the coverage in writing.

(3) An insurer may exclude or limit the coverage on any person for whom evidence of individual insurability is not satisfactory to the insurer.

(4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

Section 3. KRS 304.16-090 is amended to read as follows:

The lives of a group of individuals may be insured under a policy issued to a credit union, or to a trustee or trustees or agent designated by two (2) or more credit unions, which shall be deemed the policyholder, to insure eligible members of the credit union or credit unions for the benefit of persons other than the credit union or credit unions, trustee or trustees, or agent, or its officials, subject to the following requirements:

(1) The members eligible for insurance under the policy shall be all of the members of the credit union, or all except any for whom evidence of individual insurability is not satisfactory to the insurer, or all of any class or classes thereof.

(2) The premium for the policy shall be paid by the policyholder, either wholly from the credit union's funds, or partly from the credit union's funds and partly from funds contributed by the insured member specifically for the member's insurance. A policy shall insure all eligible members, or all except any for whom evidence of individual insurability is not satisfactory to the insurer.

(3) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured members or by the policyholder.

Section 4. KRS 304.16-085 is amended to read as follows:

(1) Insurance under any group life insurance policy issued pursuant to KRS 304.16-030 (employee groups), KRS 304.16-050 (labor union groups), KRS 304.16-060 (trustee groups), KRS 304.16-070 (public employee groups) and KRS 304.16-080 (association groups) of this subtitle may be extended to insure the dependents, or any class or classes thereof, of each insured employee or member who so elects in amounts in accordance with a plan which precludes individual selection. A "dependent" includes any of the following: ~~is~~

(a) The husband or wife of the insured employee or member; ~~and~~

(b) The ~~an~~ insured employee's or member's child under eighteen (18) years of age; ~~or~~

(c) The insured employee's or member's child age eighteen (18) years or older who is:

1. Unmarried;

2. Supported either in whole or in part by the insured employee or member; and

3. A full-time student at an accredited educational institution; or

(d) A dependent child of an insured employee or other member of an insured group which terminates coverage at a specified age, who is unmarried and incapable of self-sustaining employment because of a mental or physical condition if:

1. The child was incapacitated prior to attainment of the age at which dependent coverage would otherwise terminate;

1 2. *The child is chiefly dependent upon the employee or member for support*
2 *and maintenance;*

3 3. *The insurance of the employee or member remains in force;*

4 4. *The dependent child remains incapable of self-sustaining employment;*
5 *and*

6 5. *The insured employee or member submits proof of the dependent child's*
7 *incapacity within thirty-one (31) days of the dependent's attainment of*
8 *the termination age* [~~This child eighteen (18) years or older who is~~
9 ~~attending an educational institution and relying upon the insured employee~~
10 ~~or member for financial support].~~

11 (2) Premiums for the insurance on the dependents may be paid by the group policyholder, or
12 by the employee or member or by the group policyholder and the employee or member
13 jointly.

14 (3) A husband or wife and dependents pursuant to this section shall have the same
15 conversion right as to the insurance on his or her life as is vested in the employee or
16 member.

17 (4) Notwithstanding the provisions of KRS 304.16-180 (certificate; filing approval) only one
18 (1) certificate need be issued for each family unit if a statement concerning any
19 dependent's coverage is included in the certificate.

20 SECTION 5. A NEW SECTION OF SUBTITLE 16 OF KRS CHAPTER 304 IS
21 CREATED TO READ AS FOLLOWS:

Group life insurance offered to a resident of this state under a group life insurance policy issued to a group, other than one described in KRS 304.16-030, 304.16-040, 304.16-050, 304.16-060, 304.16-070, or 304.16-080, shall be subject to the following requirements:

(1) No group life insurance policy shall be delivered in this state unless the commissioner finds that:

(a) The issuance of the group policy is not contrary to the best interests of the public;

(b) The issuance of the group policy would result in economies of acquisition or administration; and

(c) The benefits of the group policy are reasonable in relation to the premiums charged;

(2) No group life insurance coverage may be offered in this state by an insurer under a policy issued in another state unless this state or another state having requirements substantially similar to the requirements of subsection (1) of this section has made a determination that the requirements have been met;

(3) The premium for the policy shall be paid either from the policyholder's funds or from funds contributed by the covered persons or from both; and

(4) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

SECTION 6. A NEW SECTION OF KRS CHAPTER 304, SUBTITLE 17 IS
CREATED TO READ AS FOLLOWS:

“Actual charge” means the amount a provider has accepted as full payment by an insured or on behalf of an insured for the service rendered.

SECTION 7. A NEW SECTION OF KRS CHAPTER 304, SUBTITLE 18 IS
CREATED TO READ AS FOLLOWS:

“Actual charge” means the amount a provider has accepted as full payment by an insured or on behalf of an insured for the service rendered.

SECTION 8. A NEW SECTION OF KRS CHAPTER 304, SUBTITLE 20 IS
CREATED TO READ AS FOLLOWS:

No insurer shall cancel, refuse to renew or increase the premium on an automobile liability insurance policy or a homeowner’s insurance policy as the result of an inquiry related to the insured’s coverage for which a subsequent claim is not submitted.

Section 9. KRS 304.20-040 is amended to read as follows:

(1) As used in this section:

(a) "Policy" means an automobile liability insurance policy, delivered or issued for delivery in this state, insuring a single individual or husband and wife resident of the same household, as named insured, and under which the insured vehicles therein designated are of the following types only:

1. A motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance for passengers, nor rented to others;
and
2. Any other four-wheel motor vehicle with a load capacity of one thousand five hundred (1,500) pounds or less which is not used in the occupation, profession, or business of the insured; provided, however, that this section shall not apply:
 - a. To any policy issued under an automobile assigned risk plan; **or**

b. ~~[To any policy insuring more than four (4) automobiles; or~~
e.] To any policy covering garage, automobile sales agency, repair
shop, service station, or public parking place operation hazards;

(b) "Automobile liability insurance policy" includes only coverage for bodily injury
and property damage liability, basic reparations benefits, and the provisions
therein, if any, relating to medical payments, uninsured motorists coverage,
underinsured motorists coverage, and automobile physical damage coverage;

(c) "Renewal" or "to renew" means the issuance and delivery by an insurer of a
policy replacing at the end of the policy period a policy previously issued and
delivered by the same insurer, or the issuance and delivery of a certificate or
notice extending the term of a policy beyond its policy period or term; provided,
however, that any policy with a policy period or term of less than three (3) months
shall for the purpose of this section be considered as if written for a policy period
or term of three (3) months. Provided, further, that any policy written for a term
longer than one (1) year or any policy with no fixed expiration date, shall for the
purpose of this section, be considered as if written for successive policy periods or
terms of one (1) year, and the policy may be terminated at the expiration of any
annual period upon giving seventy-five (75) days' notice of nonrenewal prior to
the anniversary date;

(d) "Nonpayment of premium" means failure of the named insured to discharge when
due any of his or her obligations in connection with the payment of premiums on
a policy, or any installment of the premium, whether the premium is payable

1 directly to the insurer or its agent or indirectly under any premium finance plan or
2 extension of credit;

3 (e) "Declination" or "decline" means either the refusal of an insurer to issue an
4 automobile liability insurance policy upon receipt of a written nonbinding
5 application or written request for coverage from its agent or an applicant, or
6 refusal of an agent to transmit to an insurer a written nonbinding application or
7 written request for coverage received from an applicant. The offering of insurance
8 coverage with a company within an insurance group that is different from the
9 company requested on the nonbinding application or written request for coverage,
10 or the offering of insurance upon different terms than requested in the nonbinding
11 application or written request for coverage, shall be considered to be a
12 declination; and

13 (f) "Agent" includes but is not limited to surplus lines broker.

14 (2) (a) A notice of cancellation of a policy shall be effective only if it is based on one (1)
15 or more of the following reasons:

- 16 1. Nonpayment of premium;
- 17 2. The driver's license or motor vehicle registration of the named insured or
18 of any other operator who either resides in the same household or
19 customarily operates an automobile insured under the policy has been
20 under suspension or revocation during the policy period or, if the policy is
21 a renewal, during its policy period or the one hundred eighty (180) days
22 immediately preceding its effective date;

3. Discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
 4. Discovery of willful acts or omissions on the part of the named insured that increase any hazard insured against; or
 5. A determination by the commissioner that the continuation of the policy would place the insurer in violation of this chapter or the rules or administrative regulations of the commissioner.
- (b) This subsection shall not apply to any policy or coverage which has been in effect less than sixty (60) days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy.
- (c) Modification of automobile physical damage coverage by the inclusion of a deductible not exceeding one hundred dollars (\$100) shall not be deemed a cancellation of the coverage or of the policy.
- (d) This subsection shall not apply to nonrenewal.
- (3) No notice of cancellation of a policy to which subsection (2) of this section applies shall be effective unless mailed or delivered by the insurer to the named insured at least twenty (20) days prior to the effective date of cancellation; provided, however, that where cancellation is for nonpayment of premium, at least fourteen (14) days' notice of cancellation accompanied by the reason therefor shall be given. This subsection shall not apply to renewals. **A policy or coverage which has been in effect less than sixty (60) days at the time the notice of cancellation is mailed or delivered by the insurer is not limited to the reasons for cancellation set forth in subsection (2)(a) of this section**

unless it is a renewal policy. Notice of cancellation for a policy that has been in effect for less than sixty (60) days shall be mailed or delivered to the named insured at least fourteen (14) days in advance of the effective cancellation date.

(4) No insurer or agent shall decline, refuse to renew, or cancel a policy of automobile insurance solely because:

- (a) Of the credit history, or lack of credit history, of the applicant or insured;
- (b) The applicant or insured has previously obtained automobile coverage through a residual market mechanism or from a carrier providing nonstandard coverage;
- (c) The applicant or insured has sustained one (1) or more losses that immediately result from a natural cause without the intervention of any person and that could not have been prevented by the exercise of prudence, diligence, and care;
- (d) Of the race, religion, nationality, ethnic group, age, sex, or marital status of the applicant or named insured; or
- (e) Another insurer previously declined to insure the applicant or terminated an existing policy in which the applicant was the named insured.

(f) The applicant or insured has experienced and whose credit information has been and continues to be directly influenced by any of the following events:

1. Catastrophic event, as declared by the federal or state government;

2. Serious illness or injury, or serious illness or injury to an immediate family member;

3. Death of a spouse, child, or parent;

4. Divorce or involuntary interruption of legally-owed alimony or support payments;

1 5. *Identity theft;*

2 6. *Temporary loss of employment for a period of three (3) months or more,*

3 *if it results from involuntary termination;*

4 7. *Military deployment overseas; or*

5 8. *Other events, as determined by the insurer.*

6 (5) No insurer shall fail to renew a policy unless it shall mail or deliver to the named insured,
7 at the address shown in the policy, at least seventy-five (75) days' advance notice of its
8 intention not to renew. If notice is not provided, coverage shall be deemed to be renewed
9 for the ensuing policy period upon payment of the appropriate payment under the same
10 terms and conditions, until the named insured has accepted replacement coverage with
11 another insurer, or until the named insured has agreed to the nonrenewal.

12 (6) The transfer of a policyholder between companies within the same insurance group shall
13 be considered a nonrenewal.

14 (7) Renewal of a policy shall not constitute a waiver or estoppel with respect to grounds for
15 cancellation which existed before the effective date of the renewal.

16 (8) If the insurer has manifested its willingness to renew by mailing or delivering a renewal
17 notice, bill, certificate, or policy to the first-named insured at his or her last known
18 address at least thirty (30) days before the end of the current policy period with the
19 amount of the renewal premium charge and its due date clearly set forth therein, then the
20 policy shall expire and terminate without further notice to the insured on the due date,
21 unless the renewal premium is received by the insurer or its authorized agent on or before
22 that date. When any policy terminates pursuant to this subsection because the renewal
23 premium was not received on or before the due date, the insurer shall, within fifteen (15)

1 days, deliver or mail to the first-named insured at his or her last known address a notice
2 that the policy was not renewed and the date on which the coverage under it ceased to
3 exist.

4 (9) (a) Proof of mailing of renewal premium to the insurer or its agent, when authorized,
5 on or before the due date, shall constitute a presumption of receipt pursuant to
6 subsection (8) of this section.

7 (b) Proof of mailing of notice of cancellation or of intention not to renew or of
8 reasons for cancellation or nonrenewal to the named insured at the address shown
9 in the policy shall be sufficient proof of notice.

10 (10) No insurer shall impose or request an additional premium higher than its standard
11 premium for automobile insurance, cancel or refuse to issue a policy, or refuse to renew a
12 policy solely because the insured or the applicant is an individual with a disability, so
13 long as the disability does not substantially impair the person's mechanically assisted
14 driving ability.

15 (11) When an automobile liability insurance policy is canceled other than for nonpayment of
16 premium, or in the event of failure to renew a policy of automobile liability insurance, the
17 insurer shall notify the named insured of his or her possible eligibility for automobile
18 liability insurance coverage through the Kentucky automobile assigned risk plan. The
19 notice shall accompany or be included in the notice of cancellation or the notice of intent
20 not to renew. The notice shall also inform the insured that he or she may, within seven (7)
21 days, request the commissioner in writing to determine whether there is sufficient reason
22 to cancel or not to renew the policy. Upon receipt of a request from the insured, the
23 commissioner may request additional information regarding the cancellation or

nonrenewal of a policy from the insurer. An insurer shall respond to a request for information from the commissioner within ten (10) days from receipt of the request.

Within fourteen (14) days of receiving [such] a written request *from the insured*, the commissioner shall send his or her findings to the insurer and to the insured. *If an insurer fails to respond to a request for additional information within ten (10) days from receipt of the request, the commissioner may make a finding in favor of the insured.* When he or she sends findings, the commissioner shall notify both parties of their right to request a hearing under KRS 304.2-310(2)(b) and KRS Chapter 13B. The party requesting the hearing shall give the commissioner written confirmation of attendance at the hearing not more than five (5) days before, nor less than forty-eight (48) hours before, the scheduled hearing. If the requesting party fails to give the required written confirmation, the commissioner shall cancel the hearing.

(12) The reason for nonrenewal or cancellation shall accompany or be included in the notice of nonrenewal or cancellation.

(13) Except where the maximum limits of coverage have been purchased, every notice of first renewal shall include a provision or be accompanied by a notice stating in substance that added uninsured motorists, underinsured motorists, and personal injury protection coverages may be purchased by the insured.

(14) There shall be no liability on the part of and no cause of action of any nature shall arise against the commissioner or against any insurer, its authorized representative, its agents, its employees, or any firm, person, or corporation furnishing to the insurer information as to reasons for cancellation or nonrenewal, for any statement made by any of them in any written notice of cancellation or nonrenewal, or in any other communication, oral or

written, specifying the reasons for cancellation or nonrenewal, or the providing of information pertaining thereto, or for statements made or evidence submitted at any hearings conducted in connection therewith.

(15) (a) If the commissioner determines that an insurer has violated any provision of this section, the commissioner may require the insurer to:

1. Accept the application or written request for insurance coverage at a rate and on the same terms and conditions as are available to other risks similarly situated;
2. Reinstate insurance coverage to the end of the policy period; or
3. Continue insurance coverage at a rate and on the same terms and conditions as are available to other risks similarly situated.

(b) As to any person who has violated any provisions of this section, the commissioner may:

1. Issue a cease and desist order to restrain the person from engaging in practices that violate this section;
2. Suspend or revoke the person's license or certificate of authority;
3. Assess a civil penalty against the person in accordance with KRS 304.99-020; or
4. Take any combination of the actions specified in this paragraph

Section 10. KRS 304.20-300 is amended to read as follows:

(1) The purpose of KRS 304.20-320 to 304.20-350 is to regulate declinations, cancellations, and refusals to renew certain policies of property or casualty insurance as defined in KRS 304.5-050 and 304.5-070 which are delivered, issued for delivery, or renewed after July 15,

1986, and to require specific reasons for such action. **KRS 304.20-320 to 304.20-350 shall also apply to policies which provide coverage for property and casualty risks in the Commonwealth that are written by a surplus lines insurer.**

(2) KRS 304.20-320 to 304.20-350 does not apply to:

- (a) Automobile liability insurance policies protected by KRS 304.20-040; or
- (b) Any policy issued through a residual market mechanism.

Section 11. KRS 304.20-320 is amended to read as follows:

(1) Declinations. An applicant may request in writing an explanation of a declination. The insurer shall provide a prompt written response to such inquiries.

(2) Cancellations.

(a) A notice of cancellation of insurance subject to KRS 304.20-300 to 304.20-350 by an insurer shall be in writing, shall be delivered to the named insured or mailed to the named insured at the last known address of the named insured, shall state the effective date of the cancellation, and shall be accompanied by a written explanation of the specific reason or reasons for the cancellation.

(b) The notice of cancellation referred to in paragraph (a) of this subsection shall be mailed or delivered by the insurer to the named insured at least fourteen (14) days prior to the effective date of the cancellation if the cancellation is for nonpayment of premium **applicable to the current policy period** or occurs within sixty (60) days of the date of issuance of the policy. Such notice of cancellation shall be mailed or delivered by the insurer to the named insured at least seventy-five (75) days prior to the effective date of the cancellation if the policy has been in effect more than sixty (60) days.

(c) Proof of mailing of notice of cancellation or of reasons for cancellation to the named insured at the address shown in the policy shall be sufficient proof of notice.

(3) Nonrenewals.

(a) No insurer shall refuse to renew a property or casualty insurance policy subject to KRS 304.20-300 to 304.20-350 unless at least seventy-five (75) days before the end of the policy period as described in KRS 304.20-310(1), the insurer shall mail or deliver to the named insured, at the last known address of the named insured, written notice of the insurer's intention not to renew the policy upon expiration of the current policy period with a written explanation of the specific reason or reasons for the nonrenewal.

(b) If notice is not provided pursuant to paragraphs (a) and (b) of this subsection, coverage shall be deemed to be renewed for the ensuing policy period upon payment of the appropriate premium under the same terms and conditions, and subject to the provisions of KRS 304.20-330, until the named insured has accepted replacement coverage with another insurer, or until the named insured has agreed to the nonrenewal.

(c) If the insurer has manifested its willingness to renew by mailing or delivering of a renewal notice, bill, certificate, or policy to the first named insured at his last known address at least thirty (30) days before the end of the current policy period with the amount of the renewal premium charge and its due date clearly set forth therein, then the policy shall expire and terminate without further notice to the insured on the due date unless the renewal premium is received by the insurer or

its authorized agent on or before that date. When any policy terminates pursuant to this subsection because the renewal premium was not received on or before the due date, the insurer shall, within fifteen (15) days, deliver or mail to the first named insured at his last known address a notice that the policy was not renewed and the date on which the coverage under it ceased to exist.

(d) Proof of mailing of renewal premium to the insurer or its agent, when authorized, on or before the due date shall constitute a presumption of receipt pursuant to paragraph (c) of this subsection.

(e) Proof of mailing of notice of intention not to renew or of reasons for nonrenewal to the named insured at the address shown in the policy shall be sufficient proof of notice.

(4) No insurer shall increase the premium for a property or casualty insurance policy subject to KRS 304.20-300 to 304.20-350 more than twenty-five percent (25%) of the premium for the preceding policy term for like coverage and like risks unless at least seventy-five (75) days before the end of the policy period as described in KRS 304.20-310(1), the insurer shall mail or deliver to the named insured, at the last known address of the named insured, a notice for the renewal premium amount and the insurer shall mail or deliver to its agent, if any, a duplicate notice of the premium amount. In order to comply with this requirement, the insurer may extend the period of coverage of the current policy at the expiring premium.

Section 12. KRS 304.20-330 is amended to read as follows:

After coverage has been in effect more than sixty (60) days or after the effective date of a

renewal policy a notice of cancellation shall not be issued unless it is based on at least one (1) of the following reasons:

(1) Nonpayment of premium applicable to the current policy period;

(2) Nonpayment of undisputed additional premium charged for a prior policy term, determined to be owed as a result of a final audit;

(3) Violation of any of the terms or conditions of the policy, including a failure by the policyholder to:

(a) Report payroll, sales, or other basis of policy rating; or

(b) Allow the insurer to audit payroll, sales, or other basis of policy rating in accordance with the terms of the current policy or any previous policy issued by the insurer.

~~(4)~~ [(2)] Discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;

~~(5)~~ [(3)] Discovery of willful or reckless acts or omissions on the part of the named insured which increase any hazard insured against;

~~(6)~~ [(4)] The occurrence of a change in the risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed;

~~(7)~~ [(5)] A violation of any local fire, health, safety, building, or construction regulation or ordinance with respect to any insured property or the occupancy thereof which substantially increases any hazard insured against;

~~(8)~~ [(6)] The insurer is unable to reinsure the risk covered by the policy; or

- 1 (9) ~~[(7)]~~ A determination by the commissioner that the continuation of the policy would place
- 2 the insurer in violation of the Kentucky insurance code or regulations of the commissioner.